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SUBJECT: Exports to Iraq Increased 52 Percent in Early 2009, But
Primarily Due to Re-exports or Transit Goods

Ref: Amman 672

¶1. (SBU) Jordan's Department of Statistics (DOS) announced exports to Iraq rose to JD 117.9 million (USD 166.5 million) for January-February 2009, up 52.1 percent from JD 77.5 million (USD 109.5 million) during the same period in 2008. This accounted for approximately 15 percent of all Jordanian exports, making Iraq the largest bilateral destination for Jordanian exports for that period.

Export categories registering the most significant increases were a 712,408 percent increase in plastic pipe exports, a 68,807 percent increase in plastic polymers, a 12,500 percent increase in metal pipes, and a 4,432 increase in personal care items. Increases in exported food items were more moderate with a 1,239 percent increase in sweet peppers, 416 percent in canned food items, 345 percent in palm oil, 357 percent in beef, and a 270 percent in live poultry.

¶2. (SBU) Ministry of Industry and Trade (MOIT) officials considered the increase a positive trend indicative of improving commercial ties between Jordan and Iraq. They also told EconOffs, however, that the increase was "insignificant" because much of the trade increase was due to re-exported or transit goods, not Jordanian-originated products. DOS figures indicated that Jordanian re-exports made up about 63.3 percent of total Jordanian exports to Iraq during this period. Overall, re-exports represent only 23 percent Jordan's global exports during the January-February 2009 period).

¶3. (SBU) Haleem Abu Rahmah, Executive Director of the Jordanian Exporters Association, concurred with the MOIT, calling the reported increases "minimal" and reporting that Jordan lost most of its export business to Iraq after the April 2003 fall of Baghdad. He stated that while Iraq, in theory, remains an excellent export destination for Jordanian companies, Jordan suffers because the current Iraqi Government will not honor protocols signed by Saddam Hussein's government giving Jordan priority on exports to Iraq. (Note: Under a previous government-to-government contract, Iraq provided Jordan with oil at discounted rates in return for Jordanian goods whose export the GOJ encouraged. End note.) He also observed that Jordanian exporters faced major competition from Iranian and Syrian firms because these greater populated countries enjoyed "economies of scale," advantages that allowed them to offer lower prices to their customers. He commented that despite improvements, the security situation also remained a major obstacle and most Jordanian exporters still refuse to physically enter Iraq, thereby losing whatever advantage they might enjoy. He also noted that exports to Iraq usually have to be unloaded at the border and transferred to Iraqi vehicles, further complicating the process.

¶4. (SBU) President of the Jordanian Union of Truck Owners Abdul Kareem Dirabani said his union members had not witnessed any tangible increase in demand for their trucks to transport freight to Iraq or to the buffer zone between the borders. In fact, in late 2008, Jordanian and Iraqi officials met in Amman to dissolve the Iraqi-Jordanian Land Transportation Company (IJLTC), a joint venture

established by the two countries in 1980, which had accumulated since 1999 losses of JD 6 million (USD 7.8 million). Dirabani commented that the positive media reports on increased Jordanian trade with Iraq was just "feel-good" publicity designed for domestic Jordanian audiences.

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